FINAL REPORT

Building the Foundation for the Export of U.S. Chipping Potatoes to South Korea, Taiwan, China, and Thailand

USDA Federal – State Marketing Improvement Program (FSMIP)
Cooperative Agreement #12-25-G-0436

BACKGROUND & KEY ISSUES

The Pacific Northwest (PNW) U.S. comprises one of the world's largest potato growing regions. The majority of chip potato growers in Washington, Oregon, and Idaho have small-scale farms in rural communities. Over the last several years, these growers have faced numerous challenges that have jeopardized their commercial survival. For this reason, they are aggressively pursuing alternative markets and direct sales channels.

The snack food industries in South Korea, Taiwan, Thailand and China provide PNW growers an excellent opportunity for market expansion as they are major consumers of potato-based snack foods. While these countries have domestic potato production, the ability of local producers to meet domestic demand is limited. First, their supplies are often insufficient to meet the processors' demands. Second, these markets do not grow varieties specific to chip manufacturing as is done in the U.S. Finally, domestic potato prices and product inefficiencies often make importing U.S. product more competitive.

Each of the markets identified holds similar challenges and characteristics, yet each also holds unique opportunities.

South Korea

South Korea has 47.9 million consumers who already purchase significant quantities of potatoes and potato-based snack foods. Approximately 60 percent of the snack food market is devoted to potato chips. Although Korea does have a domestic potato industry, Korean snack food manufacturers face a shortage of raw product every year, generally between the months of January through April. Annually, Korea imports one third of its domestic supply of potatoes and potato products, demand that has often been met by Australia in the past. However, in recent years, quality and phytosanitary issues have led Koreans to consider U.S. product. In fact, one Korean snack processor had purchased U.S. product prior to this project, and it was anticipated that additional education and technical information could contribute to increased demand for U.S. product.

Taiwan

Taiwan has 22.5 million consumers who already purchase significant quantities of potatoes and potato-based snack foods. Consumption of potatoes in Taiwan has been growing with annual growth at around 34 percent in recent years. The fast food and snack food industries have

contributed to the bulk of new demand for potatoes in Taiwan. Potato chips have comprised an estimated 50 percent of the total snack food market. Similar to Korea, snack food manufacturers face a shortfall of domestic supply. Agriculture comprises only about three percent of the GDP in Taiwan and supports only about eight percent of Taiwan's workforce. While Taiwan has a domestic potato industry, they do not have varieties specific to chipping. Snack food manufacturers are also faced with relatively high domestic potato prices. Typically, pricing has been such that processors could import high-quality potatoes from the U.S. at either equivalent or lower prices than local product, thus PNW varieties would enable manufacturers to produce a very high-quality product for their consumers potentially at a cost savings. Currently, five states are allowed to export to Taiwan, including those represented in this project.

Thailand

Thailand has 61.8 million consumers who already purchase significant quantities of potatoes and potato-based snack foods. As in the other markets, Thailand has domestic potato production with some chip processing facilities. Generally the processors contract with local growers for raw product. The chip processors buy additional potatoes beyond those contracted when quality is suitable. However, even with the contracted quantities and the non-contract potatoes, supplies are not sufficient to keep the processors running throughout the year, and plants are forced to stop production. In past, Thailand has imported potatoes during their shortfall period, and the Thai government has even taken steps such as increasing the tariff rate quota to facilitate imports during this time. This is primarily because most processors are located in the more rural north, which has limited employment and lower incomes, thus the processors are a key employer for this region. Initiation of a U.S. - Thailand free trade agreement, was seen as a timely opportunity. An expanded market access quota for U.S. fresh potato products would allow Thai processors better and more predictable access to quality supplies.

China

China's over 1.2 billion consumers already purchase significant quantities of potatoes and potato-based snack foods. Strong projected economic growth, likely means significant growth in demand for convenience and snack food items. Although China produces approximately 20 percent of the world's potato crop, reports have indicated that they have not yet been successful in growing a high quality potato for processing. In fact, approximately only one to two percent of China's production is grown for specialty processing such as chips. Processors in northern China use some local potatoes grown with Western technology, but their popularity and reputation do not compare with imported brands. Production is dominated by very small producers using marginal land for growing. Lack of technology, insufficient land for growing potatoes, limits on land and water, weather and climate, experience and management, and economy of scale all constrain the production and sale of domestic potatoes. While fresh potato imports are not currently allowed by the Chinese government because of phytosanitary concerns, they recently completed a pest risk assessment to allow for importation of seed potatoes from Alaska. The Chinese government has also committed to completing a pest risk assessment for fresh potatoes from the PNW. Opening of this market is expected to translate into significantly higher demand for and use of PNW chipping potatoes.

The Project

The Washington, Oregon and Idaho commissions and states were awarded $70,000 in FSMIP funds. In addition, the commissions and states committed cash and in-kind contributions of $79,000 to carry out a targeted plan of work in order to:

- Provide technical education demanded by Korean, Taiwanese, Thai and Chinese processors,
- Explore the potential for growing PNW potatoes specifically for these niche markets,
- Capitalize upon the market climates of each of these countries for the benefit of the northwest industry, and
- Develop alternative markets and direct sales channels for their products.

PROJECT APPROACH AND STRATEGY

In order to capitalize upon these target markets, a common opportunity was identified to provide mutual benefit to processors in each market and the U.S. industry. Technical information and training would be provided to key snack food processing company representatives in the target markets. This information would include common U.S. varieties, characteristics, and strategies for maintaining product quality from supplier to processor. In addition, seminars and customer meetings would give U.S. industry representatives the opportunity to discuss with local representatives relevant policy issues impacting purchase and/or delivery of northwest U.S. product, and additional information that could lead to variety development or tailoring of supply to meet the needs of the local markets.

A plan of work was laid out that would meet the overall project goals to:

- ✓ Increase the technical knowledge of the Korean, Taiwanese, Thai and Chinese trade regarding the variety, growing conditions, quality, treatment and suitability of Pacific Northwest potatoes for use in the processed food, snack food, and healthy food sectors; and
- ✓ Explore the potential for growing Pacific Northwest potatoes specifically to fit the requirements of these export markets.

In order to achieve these goals, two main strategies were undertaken:

- ✓ Prepare and distribute a Technical Guide outlining key information on northwest U.S. product, and

- ✓ Organize and conduct technical seminars for key industry representatives.

After discussion between the project team and FSMIP, a slight alteration of the original/proposed plan of work was agreed upon to best meet the needs of processors in each market. The final plan of work included: 1) distribution of technical guides and 2) conducting technical seminars for potential new importers or providing technical information during customer meetings in each target country. In addition, it was agreed to expand the project scope to include customer

appreciation in Korea and Taiwan, where processors have already begun to purchase northwest product, and research in China where additional import barriers exist. An additional target was identified for China, to identify ways the northwest industry can support opening of this market for U.S. product. The implementation time-line was extended through December 2005.

Technical Guides

Technical guides for each market were developed cooperatively by the project team and the U.S. Potato Board. In 2002, the PNW industry used FSMIP grant funding matched with its own resources to develop a chipping potato technical guide for the Japanese market. The guide describes the numerous varieties of potatoes available from the Northwest, their growing conditions, seasons, and climatic regions. It includes technical data about the conditions under which potatoes must be shipped to retain their physical integrity, the storage and handling of potatoes prior to processing, and details about the diverse and flexible use of PNW potatoes in food processing. The U.S. Potato Board (USPB) later worked with the northwest team to develop a slightly broader scope version of the guide, covering the entire U.S. production area. In addition, a poster was developed to highlight the major chipstock potato varieties.

For the purposes of this project, the northwest team agreed to use the broader scope version of the manual. The team worked with the USPB to ensure that the manual would meet the needs of the target markets, and arrange translation into appropriate languages for these markets. Expenses for the Korean, Thai, and Complex Chinese (for Taiwan) versions of the manual and corresponding chipstock poster were covered by the USPB, while expenses for the simplified Mandarin (for China) were covered with project funds. To highlight information specific to the northwest industry, a technical insert was developed and translated into appropriate languages. Technical guides were distributed to all participants. In addition, copies have been distributed to the local USPB offices, the cooperating states, and the USPB headquarters office for distribution to additional companies in future. Additional copies of the technical guide and trade materials were sent via mail to processors who were not able to participate in the seminar programs. All materials are now available for reproduction and use in future promotion and technical training.

Technical Seminars/Meetings

As the mechanism through which to provide technical information, and the main platform for discussion of policy and market issues with key representatives of snack processing companies, two missions were conducted to Asia. During these missions, northwest team members met with local contacts and conducted technical seminars for snack food manufacturers and importers. The first seminars were conducted in February 2005 in Seoul, Korea, Taipei, Taiwan and Bangkok, Thailand. A second seminar series was conducted in November 2005 in Shanghai and Beijing, China.

The technical guide was used as the core resource for each seminar. An industry expert was contracted to present technical information as the core component of each seminar, with commission representatives providing additional curriculum. Arrangements in each location were made by the project team, working through local contractors. The project team employed the strategy of working with the same contractors used by the U.S. Potato Board in these locations, as it was felt that their knowledge base would benefit the project. In addition, state

trade representatives and local USDA staff were invited to participate in the seminars in order to maximize contacts and the ability to follow up with participating companies in future.

The seminar format was altered slightly from the original proposal in order to eliminate concerns about competition among attendees and sharing of proprietary company information. Rather than inviting a large group of attendees, a series of seminars/meetings were held in each location, with each tailored for key representatives of the purchasing, management and product development divisions of specific processing companies. In some instances the importer also attended. To conduct the seminars, potato growers, commission representatives, and state trade managers from Washington, Oregon, and Idaho traveled to each location, along with the technical consultant. Five grower/exporters, four commission representatives and a state staff person participated in the first seminars, with three grower/exporters, three commission staff and a state representative participating in the China seminars. Information on the project team and itinerary in each location is attached.

For the first seminars (Korea, Taiwan and Thailand) the primary emphasis was placed on variety specific characteristics. Mr. Duane Preston, Area Extension Agent for Potatoes at University of Minnesota, was contracted as the technical expert. Preston has over 24 years of experience, with extensive work in chipstock variety research and trials. For the China seminars, due to the different market climate, in addition to providing variety specific information the team chose to focus more on handling and quality issues. For this seminar Dr. Nora Olsen, Associate Professor and Extension Potato Specialist with University of Idaho, was contracted as the technical expert. Her primary research focus is storage management, potato physiology and performance, and cultivar evaluation. Both experts seemed well received by the target company participants.

The general seminar/meeting format spanned a two hour period. Presentation of technical information was given by the technical consultant, presentation of regional-specific production and logistical information by growers/exporters, followed by a period for open dialogue to address questions, and discuss information specific to each company regarding technical issues, supply management, policy issues, and ways the northwest U.S. industry could work with processors to better meet their supply needs. Consecutive interpretation was provided as necessary. Wide -scale press coverage was not solicited as originally proposed since the meeting format was tailored to specific companies, and concerns about sharing company information with competitors needed to be taken into consideration.

Direct implementation costs, and costs for participation of the technical experts were covered using project funds. Travel and participation costs for the northwest delegation were covered by the partner organizations.

FUNDS AND RESOURCES CONTRIBUTED

In addition to direct costs covered by project funds, a combined total of over $140,000 was contributed by the project team partner organizations in the form funds and resources required for implementation of this project

- Over $90,000 is attributable to preparation, implementation and follow up for Phase I
- Over $50,000 is attributable to preparation, implementation and follow up for Phase II.

Expenses accounted for include:

- travel costs for the northwest seminar team participants
- Representational expenses including meals and small appreciation gifts for local seminar participants
- Industry time for administration of seminar preparation, implementation and follow up.

In addition, the U.S. Potato Board assisted with development and production of foreign language versions of technical materials.

RESULTS, CONCLUSIONS, LESSONS LEARNED

Overall, the strategy of using individual seminars/meetings to disseminate targeted technical information, and conduct a dialogue to identify specific market and company issues was viewed as highly successful. This format allowed more direct interaction with each company and staff person, and very targeted discussions regarding specific issues and challenges faced by each company. Each target market holds slightly different opportunities and characteristics, butthe strategy employed seemed to work well in disseminating the target information, and gaining market insights. Key issues for follow up were identified in each target market.

Phase I: Korea/Taiwan/Thailand

The first phase of the project focused on the three markets where access issues have been minimal, or resolution of barriers is anticipated to have a shorter time-frame. This includes Korea, Taiwan and Thailand. To assess results of technical information provided during this seminar program, verbal feedback was requested of participants to indicate their increased awareness of Pacific Northwest potatoes.

Key findings/conclusions from these three markets can be summarized as follows:

- Potential for increased demand for Northwest chipping varieties varies somewhat by country, but in general, good potential exists in each location.
- Varieties being produced in the northwest (such as Dakota Pearl, Pike, and Norvalley) a better fit to meet the needs and interests of processors. Benefits include increased specific gravity resulting in higher chip yield, improved chip color, and improved storage properties.
- Processors are specifically interested in imported potatoes to meet processing capacity. In addition, processors are pleased with the quality and price of northwest grown potatoes.
- Several of the processors were unaware that these varieties can be stored at lower temperatures, thus maintaining quality longer; they were also not aware of current management practices that can be employed before and after receiving imported product.
- There is interest in importing seed, but import regulations and growing conditions make this unrealistic to meet total demand, at least in the near future.

- Import requirements and policies (quotas, tariffs, etc…) in each country may restrict exporting Northwest chipping potatoes to certain times of the year, but generally imports are able to move into Korea, Taiwan and Thailand.
- Processors are interested to continue working with Northwest growers and exporters to increase utilization of ~~to~~ northwest chipping potatoes. They value the quality of Northwest potatoes and want to keep the supply channels open in order to meet their processing demand at a reasonable price.

Country specific results are stated below.

Korea

Seminar/Meeting Summary:

The team met with three principal snack food manufacturers: Haitai, Nong Shim and Orion (and Doosan, Orion's importer). The three currently process potato chips, and have imported some U.S. product to date. Team members presented technical information and discussed current trade issues.

In addition, the team met with USDA representatives in Korea to discuss current import issues, phytosanitary issues, and possible strategies for resolution.

Outside of the seminars, more casual meetings were held with Global World (a fresh chip chain) and Taein FM (an importer).

Results/Conclusions:

The three principal companies all had some knowledge of U.S. potatoes prior to the meetings, but all reported increased technical knowledge on varieties and quality management issues following the program.

Attendees requested information regarding the use of sprout inhibitor and handling and storage methods. Additionally, there was discussion regarding the recent finding of Columbia Root Knot Nematode (CRKN), a phytosanitary concern, in potatoes arriving in Korea. This was discussed in detail with importers and processors, with the team requesting input and suggestions for resolution of the issue.

The nematode issue was also discussed during meetings with the USDA office. Conversation focused on clarifying the key issues and possible steps to be taken to resolve the issue, including possible implementation of a scientific exchange between USDA, APHIS and NPQS to harmonize identification procedures, and to develop shipping and/or processing protocols to receive infected chipping potatoes.

The issue of CRKN is one that needs to be addressed swiftly by the Pacific Northwest States if the Korean chipping market is to be maintained. The processors are aware that U.S. potatoes are very high-quality, even those that tested positive for CRKN.

Overwhelmingly, the Korean processors want to continue to use U.S. potatoes because of the Pacific Northwest's distinct price advantage. The Korean buyers will continue to look to WA, OR and ID for supply.

Korea is well positioned as a good market for northwest and U.S. chipstock potatoes. In the first year of access, shipments estimated at $400,000 already moved into this market. However, future imports will depend on efficient resolution of photosaniatry issues.

Lessons Learned/Next Steps:

- U.S. industry, USDA, APHIS, Korean processors and NPQS need to work together in a timely yet cautious manner to resolve the nematode issue. The immediate need is to establish equivalent identification procedures between countries, then to establish tolerance levels for shipping infected potatoes.

- Organize a scientific exchange where a U.S. nematologist and APHIS personnel are able to visit Korea and view their inspection procedures. This team would then recommend changes to the U.S. testing procedures.

Taiwan

Seminar/Meeting Summary:

Team met with three companies who currently process potato chips, and have imported some U.S. product to date (Lian Hwa Foods; PepsiCo Foods Taiwan Co., Ltd; Hwa Yuan).

Results/Conclusions:

Each of the three companies we met with had some knowledge of U.S. and northwest product, however each reported an increased awareness of technical, variety specific and quality management information at the close of the meetings.

Primary questions were raised with regard to the technical aspects of potato quality, diseases, and variety specific issues. In particular, Pepsico indicated that they plan to increase importation of potatoes over the next few years, and are interested to evaluate some of the new varieties presented. There was also much discussion regarding logistics and packaging to ensure quality in shipping. Companies are welcoming of whatever technical support U.S. exporters can provide.

A window of opportunity exists when local supplies are short, and imported product is welcome to fill processing capacity. October is a key month for imports.

The processors in Taiwan have been experimenting with PNW potato varieties for about four years now. Taiwan processors are very pleased with the quality. There is still some room to provide further education on different varieties and their characteristics, and to work with processors to try these varieties. Key challenges faced by Taiwan are related to the handling and storage of potatoes.

U.S. industry should continue work~~ing~~ with Taiwan to ensure appropriate implementation of guidelines regarding defining sprout and soil tolerances and reducing tariffs on fresh potatoes. It

is recommended to focus on providing technical information and assistance with negotiation from a technical perspective.

Lessons Learned/Next Steps:

- Work to reduce the Taiwan import tariff for fresh potatoes from 20% to 7.5%.
- Work to establish terminology for "soil-free" in Taiwan.
- Work to establish a sprout tolerance in Taiwan.
- Continue working with importers to test and identify appropriate chipping varieties.

Thailand

Seminar/Meeting Summary:

The team met with three companies who currently process potatoes: Berli Jucker Foods, Useful Foods Co., Ltd (Unichamp), and Pepsi-Cola/Thailand Trading Co. Ltd. Frito-Lay. The team also met with USDA/FAS/ATO Staff, who joined the seminar meetings.

Results/Conclusions:

Each of the three companies reported having some knowledge of U.S. and northwest product prior to the seminars, however they reported that this knowledge was limited, and they felt an increased confidence in their knowledge of the potato varieties and quality characteristics at the close of the seminar/meetings.

Technical questions focused on quality issues including specific gravity ranges, how long potatoes can be stored, how to control reducing sugars, preconditioning, conditioning, and variety specific storage questions.

Much of Thailand's production area experiences quite high temperatures, thus serious rotting and spoilage occur during harvest time, and storage is difficult.

Thai processors are interested in importing potatoes from July to December. Although much emphasis is placed on supporting local producers in Thailand, a window of opportunity exists when there is no locally available supply, and processors are forced to shut down, leaving people without work. Processors would like to import and test some U.S. varieties.

Resulting from discussions during the seminar/meetings, a sub-set of the project team was able to arrange with Pepsi-Co Thailand to spend an additional day traveling to a local processing/growing region to see the processing facility and growing conditions.

The greatest barrier to selling in the Thai market is government regulations requiring processors to buy from domestic suppliers before they can import.

The U.S. industry should continue to push for a dramatic decrease in the fresh potato import tariff from the current 27%. For each bag of potatoes processed with U.S. potatoes, these manufacturers lose money due to the tariff, even when no domestic supplies exist. A reduction in the tariff would make PNW product more attractive.

While two of the manufacturers have tried some U.S. product, it is a relatively new concept. They too face a number of problems in their storage and handling systems. Future work in these areas would benefit the Thai market.

Lessons Learned/Next Steps:

- Work to establish a soil tolerance for Thailand.
- Work to have the Thailand import tariff brought down from the current 27%.
- Work with processors to test northwest varieties and identify those most appropriate for the local processing practices.

Phase II: China

China

Seminar/Meeting Summary:

Meetings in China were held in two locations. The team conducted seminars for five processors (PepsiCo China, Honai/Shishi Foods Co., Shanghai Dah Chong Hong Food Industries Ltd., Beijing Ruiyitongda Trading Co., Ltd, and Beijing Lian Hwa Foods Corporation). In addition, while in Shanghai, the team met with the USDA/ATO staff for an overview of the Chinese market, and attended the Food Hotel China Trade Show in Shanghai where they were able to get a good sense of companies currently working in the market, and talk with local representatives of U.S. companies currently exporting processed potatoes to this market including Lamb Weston and Simplot. While in Beijing, the team also met with representatives of the local USDA offices including the ATO, FAA, APHIS, and Embassy staff. In both locations the team visited local supermarkets and traditional markets to see what potato products are currently available. Following the seminars, the technical material packets were distributed to processors who were not able to participate in the meetings.

Results/Conclusions

Chinese participants were asked to complete a written survey at the close of each meeting to document their response to the seminar/meetings. All respondents were snack food manufacturers.

- 60% indicated they learned a lot of valuable new information with 40% indicating that they gained a good amount.
- Most beneficial topics were reported as: variety information, transportation and storage. 80% reported that the information presented was very useful to them in their current position, with 20% reporting that they found the information to be somewhat useful.

- All attendees rated the presentation content and materials either Excellent or above average. The same was true for their assessment of the seminar overall. Three participants indicated they would like to have additional information on the topic of potato contract price terms and trends.

- All respondents indicated that the seminar stimulated their interest in using, selling, or promoting U.S. chipping potatoes. The main recommendations as to what further steps the U.S. chipping potato industry can take to help Chinese companies better promote, use, or identify new uses for U.S. potatoes are invest in China, and do whatever is possible to lift the importation ban.

The Chinese snack food processors met with were very receptive to the idea of imported U.S. potatoes, and access to new U.S. varieties. Processors reported low processing characteristics of locally grown potatoes, and limited access to varieties with high processing yield and other high quality processing characteristics. Some companies have employed the strategy of growing their own potatoes in order to manage and have control over their raw material supply. Even these companies report that characteristics of locally produced product--including their own--are lacking. Moreover, having the secondary business function of growing potatoes as a component of their business is not viewed as beneficial or efficient to these managers. In fact, these companies invited our grower participants to establish production in China in order to improve the quality of locally grown potatoes. Of course agronomic conditions and access to seed would limit the level of progress possible through such a strategy. The type of quality gains processors desire would be better achieved through importing potatoes grown under U.S. climatic and agronomic conditions. Companies stated that they would welcome imports were there government support.

Processors reported that a window of opportunity seems to exist sometime between December and March (depending on the company and their supply source) when local supplies do not fully meet raw material supply requirements. Plants are forced to shut down, leaving people without work to do, and companies without product to sell. Typically, companies continue to pay their workers during this time.

Companies would like information on the economic benefit and cost breakdown of importing quality potatoes versus utilizing lower quality local potatoes. From price information provided by participating exporters, processors indicated that current U.S. price would be acceptable.

Perception among consumers and processors alike seems to associate U.S. products with having very high quality characteristics. Over time, continued interest in western products and culture among Chinese should help bolster this attitude and contribute to increasing support for importing U.S. fresh potatoes and other products in future.

Resulting from discussions with USDA officials in Beijing, it is our understanding that the Pest Risk Assessment (PRA) for fresh potatoes is considered to remain “in process” by the State General Administration of the People’s Republic of China (PRC) for Quality Supervision and Inspection and Quarantine (AQSIQ).

Lessons Learned/Next Steps:

- Fresh potato Pest Risk Assessment (PRA)
  Northwest industry representatives will discuss with national representatives and domestic USDA representatives regarding the strategic approach best suited to the Chinese market. This discussion will take into account other trade issues facing potatoes (specifically processed products) in China, and how best to approach the situation with fresh potatoes and the PRA for the overall benefit of the potato industry.

  For the Chinese market, it may be appropriate to develop a separate protocol for chip stock potatoes, rather than carrying out the current approach which is that one PRA is being conducted for all fresh potatoes. In the current scenario, fresh potatoes are considered as one category, which includes both chip stock and fresh/table stock since the major phytosanitary considerations for the two are typically the same. To break out the two, however, would mean starting over in establishing a new PRA. This would have a bearing both on time for completion of the PRA, and on the overall strategic approach taken by the potato industry. Working to establish a separate PRA may not have any benefit given anticipated completion and difficulties for the current PRA. This will be accounted for in industry discussions.

- Continued interaction with Chinese processors
  In order to proceed effectively toward opening of this market, it will be important to maintain a dialogue with local processors regarding their product needs, and seek their input and support in developing strategies for approaching the Chinese government.

- Continued U.S. industry support
  Northwest industry representatives will continue, working in cooperation with the national industry associations, to follow up with these companies and continue supplying U.S. government officials with information to help facilitate advancements in the Chinese market. Additional importers and snack food processor will be included in future interactions.

- Continued marketing efforts
  There is a continued need to market all potato products in China. Potato chips face strong competition from other snack foods in this market. Dining out is common, thus emphasis should be placed on both retail and food service. Marketing efforts should focus on culinary uses and nutritional characteristics of potatoes and potato products. It will be particularly important to emphasize this information during the window when supplies are lacking. Emphasis at this time needs to be placed on quality, economic benefits resulting from improved processing yields, and benefits resulting from increased processing outputs achieved through supplementing local supplies with imports.

CURRENT AND FUTURE PROJECT BENEFITS

It is anticipated that information obtained, and next steps identified through this project will lead to continued advancements within the Korean, Taiwan, Thailand and Chinese markets. This will take the form of increased sales and market access for U.S. chipping potatoes translating into increased markets and profitability for Northwest growers.

Direct benefits from this project include additional contacts, and a greater understanding of supply chain issues within each target market. Contacts and partnerships within the Northwest industry were strengthened. Through the project materials and seminars, processors and importers in each target market gained technical knowledge of varieties and processing characteristics for imported potatoes. Further the project team has identified specific areas of action to be taken in order to increase exports, and expand market development efforts in these target markets. The technical materials are now available for use in other projects, and for distribution to other companies. Information has been shared with the U.S. Potato Board and the National Potato Council which will be incorporated into their policy and market development agendas. Additional information was identified and verified regarding issues to be targeted for improving export policies. Key customers and potential future customers in each market gained relevant technical information on U.S. potatoes; all participants expressed interest in importing U.S. varieties.

While the results above can be reported now, only a short time following completion of project activities, it is anticipated that the true value and benefits of this project will only come to light at some point in the future. In fact, typical data findings are that outcomes from this type of work often continue to grow slowly, with significant gains not realized for three or more years into the future. As an illustration of this, I would like to share with you a recent success resulting from a previous project conducted through the FSMIP program.

In 2001, FSMIP approved funding for what became the precursor to this project, "Building the Foundation for the Export of US Chipping Potatoes to Japan." The project was quite successful in providing technical information on Northwest chipping potatoes to Japanese processors, and identifying targets and a plan of action for next steps to be taken to work toward opening of this market for U.S. product. The industry has continued building on the successes of the Japan FSMIP project, and working together toward achieving success in the Japan market. Just this year, on February 2, 2006, it was announced that Japan will allow the very first shipment of chipping potatoes from the U.S., ending a ban on fresh product that was enacted in 1950! A total of 14 states are approved for shipment, with the first product delivered from the Northwest state of Idaho. That is certainly the type of success and project benefit the FSMIP program can be proud to have played a role in!

The project team is certainly appreciative of the opportunity and support provided through the FSMIP program that played an integral role in achieving this market development success!

PROJECT BENEFICIARIES

Primary Beneficiaries

The primary beneficiaries of this project are:

- ✓ Northwest chipstock potato producers and exporters
  Current chipstock producers in the Pacific Northwest states of Idaho, Oregon, and Washington have already begun to benefit from this activity. First, several chip producers/exporters from each state were able to participate in the technical seminars and gain first-hand information on the issues and customer needs in the target markets, which

can be shared with the overall state industry. Further, increased dissemination of technical information, and continued development of relationships between the Northwest industry and target importers is expected to contribute to increased interest in northwest product, and improved ability of international processors to better maintain quality of imported product. Consistent quality will result in improved product reputation, and translate into repeat sales, additional sales, and direct benefits to existing suppliers.

- ✓ Snackfood processors in Korea, Taiwan, Thailand and China
  The snack food processors with which the team met in Korea, Taiwan, Thailand and China have gained much needed technical information, and now have additional tools, contacts and resources to help increase their ability to process higher quality products.

Secondary Beneficiaries
Additional beneficiaries of this project include:

- ✓ Future Northwest chipstock producers and exporters
  With the technical information available, and dialogue established between importers and exporters, slow yet steady growth in local production of high-quality products--produced partially from imported potatoes--is anticipated. This will equate to slow yet steady growth in demand for U.S. chipstock, helping to stabilize prices, and create opportunities for other growers to convert a portion of their production to chipping varieties.

- ✓ Chipstock producers in other parts of the U.S.
  As with future Northwest chipstock producers, it is expected that the slow, steady growth in demand will also create opportunities and contribute to price stabilization for producers and exporters in other parts of the U.S.

- ✓ Future chipstock importers in Korea, Taiwan, Thailand and China
  With the technical materials now available to these processors, and the continuation of dialogue regarding import practices and policies, potential importers now have resources and tools available that can contribute to increased quality in their production.

PROJECT TEAM AND CONTACTS

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**Weber is the primary project contact; Washington State holds the main project files*

ADDITIONAL INFORMATION

The following attachments further detail project outcomes and results:

1. Phase I Technical Presentation
2. Phase I Consultant Report
3. Phase II Technical Presentation
4. Phase II Consultant Report
5. Technical Materials (English and translations)
    a. Technical Brochures & Posters
        i. Korea
        ii. Complex Chinese
        iii. Thai
        iv. Simple Chinese
    b. Technical Insert (Phase I)
    c. Technical Trade Packet (Phase II)
6. Phase I Seminar Itinerary
7. Phase II Seminar Itinerary
8. Phase II Delegation List
9. Project Expenditures Table
10. Analysis of Proposed Outcomes